

**ILLINOIS STATE
UNIVERSITY**

**BOARD OF
TRUSTEES**

Resolution No. 2023.10/49
FY2024 Operating Budget

Resolution

Whereas, the Board of Trustees of Illinois State University (*the "Board"*) has the authority to approve Illinois State University's (*the "University"*) annual operating budget, and

Whereas, the Illinois Board of Higher Education policies stipulate that the Board of Trustees shall approve an official budget for fiscal year 2024 (*"FY2024"*) by source of funds, object and function, and

Whereas, the Board took action at its May 12, 2023, meeting authorizing expenditures from tentative budget allocations:

Therefore, be it resolved that the Board of Trustees approves the FY2024 Budget for Operations totaling \$561.3 million as shown in Table 1, Table 2, and Table 3, which are attached hereto and incorporated herein.

Board Action on: _____
Motion by: _____
Second by: _____
Vote: Yeas: _____ Nays: _____

Postpone: _____
Amend: _____
Disapprove: _____
Approve: _____

ATTEST: Board Action, October 13, 2023

Secretary / Chairperson

**Board of Trustees
Illinois State University
FY2024 Operating Budget**

Background. In FY2004, the Illinois Board of Higher Education (IBHE) adopted several new policies related to fiscal accountability in higher education. One policy calls upon each public university governing board to review and approve an official budget each fall. The IBHE policy requires the budget be approved by source of funds, by functional expenditures and by objects of expenditure. Moreover, the specific functions and objects of expenditure are defined by the IBHE. Those definitions are provided in Appendix A.

The University's major sources of funds can be grouped into two broad classifications—unrestricted purpose funds and restricted purpose funds. Unrestricted purpose funds are those that the University has the most discretion in allocating among its instruction, public service, research, and academic and institutional support functions. These funds include:

- **State Appropriated Funds.** Funds appropriated to Illinois State University annually by the General Assembly and approved by the Governor for ordinary operational expenses.
- **University Income Fund.** Include annual tuition revenue, Academic Enhancement Fee, and miscellaneous operational and instructional fees.

State appropriated funds and the University Income Fund are aggregated and collectively budgeted as General Revenue Funds.

Restricted purpose funds are those funds whose use is restricted either by a granting agency, legislative statutes and rules, or by other contractual commitments. These funds include:

- **Bond Revenue (Auxiliary Facilities System – AFS):** Revenues that are derived from the operation of facilities constructed with proceeds from debt issued by the University, such as residence halls and dining centers. The revenue is used both for operations of the unit and to repay the debt to the bond holders. These funds cannot be used for other purposes.
- **Grants and Contracts:** Includes funds that are awarded to individual faculty or staff members for research projects or institutional improvement. Funds may come from federal, state or local grant foundations and are governed by individual guidelines of the grantor. The University also includes state funds provided to the University Laboratory Schools under Grants and Contracts.
- **Other Local Funds:** Includes monies generated by self-supporting units such as the University Farm, monies from student fees such as the athletic fee, and monies generated by charging a course material fee. These funds are restricted in use to the specific purpose for which they are charged. In other words, revenue generated from a course material fee must be used to purchase materials for this same course in the future. These funds are sometimes referred to as “Agency Funds.”
- **State College and University Trust Fund:** Revenue is from fees generated by the University's proportion of collegiate license plates sold; distributed, subject to appropriation by the General Assembly, to each university or college for the sole purpose of scholarship grant awards to residents of the State of Illinois.

Context

Table 1 includes a summary of the FY2023 budget and revenue resources by fund source to provide a context for the proposed FY2024 operating budget. Also provided is the dollar and percentage change between the FY2023 budget and the FY2024 proposed budget.

Table 1								
Illinois State University								
Fiscal Year 2023 Budget and Revenue Resources and Fiscal Year 2024 Proposed Budget								
(in thousands of dollars)	<u>FY2023</u>			<u>Proposed FY2024</u>		<u>FY2023-FY2024</u>		
Source of Funds	Fiscal Year 2023 Budget	Revenue Resources¹	Percent of Total	Fiscal Year 2024 Budget	Percent of Total	Dollar Change	Percent Change	
<u>Unrestricted</u>								
State Appropriation	\$ 73,100	\$ 73,100	14%	\$ 78,217	14%	\$ 5,117	7.0%	
University Income Fund	\$ 230,200	\$ 229,451	44%	\$ 254,883	45%	\$ 24,683	10.7%	
Subtotal	\$ 303,300	\$ 302,551	58%	\$ 333,100	59%	\$ 29,800	9.8%	
<u>Restricted</u>								
Bond Revenue Operations	\$ 110,400	\$ 110,546	21%	\$ 116,400	21%	\$ 6,000	5.4%	
Grants and Contracts ²	\$ 42,000	\$ 42,549	8%	\$ 43,400	8%	\$ 1,400	3.3%	
Other Local Funds	\$ 63,600	\$ 66,628	13%	\$ 68,400	12%	\$ 4,800	7.5%	
State College and University Trust Fund (collegiate license plate revenue)	\$ 25	\$ 25	0%	\$ 25	0%	\$ -	0.0%	
Subtotal	\$ 216,025	\$ 219,748	42%	\$ 228,225	41%	\$ 12,200	5.6%	
Total	\$ 519,325	\$ 522,299	100%	\$ 561,325	100%	\$ 42,000	8%	

¹Current year operating revenues and accumulated reserves as needed
²Revised FY2023 budget

Table 1 shows that revenue resources from all fund sources in FY2023 total \$522.3 million. Resources include operating revenues in the given fiscal year as well as accumulated reserve funds as needed to cover expenses.

Going forward, in FY2024, expected total revenue resources, including use of accumulated reserves, will be approximately \$561.3 million.

While the dollar amount of the state appropriation increased \$5.1 million, the proportion of University operations that are funded from State appropriations (\$78.2 million) remains similar to FY2023 at 14 percent of the total institutional operating budget. The state appropriation includes \$3.1 million that will be transferred to the Illinois Department of Central Management Services as a contribution toward group health insurance premiums.

The total unrestricted budget is up 9.8 percent over FY2023, with capital projects making up a large share of the growth. The University's key capital projects planned for FY2024 and funded by the Academic Enhancement Fee, include approximately \$16.3 million for capital expenditures related to the Center for Visual Arts Rotunda, DeGarmo Hall Plaza deck repairs, and pre-construction services for the STEM Building & Greenhouse. Other capital projects planned for FY2024 and funded by general revenue funds include approximately \$6 million for capital expenditures related to the Rachel Cooper Mechanical Systems Upgrade, Chiller System Investments, and pre-construction services for Williams Hall Rehabilitation & CIPD Renovations.

As demonstrated in Table 1, 21 percent of the University's FY2024 budget will be made up of Bond Revenue Operations, such as housing, dining, and student facility operations. Increased capacity and occupancy in residence halls, in addition to room and board rate increases, contributes to the 5.4 percent increase in Bond Revenue Operations resources.

Other Local Funds, or "Agency" funds represent 12 percent of the total University budget. Grants and Contracts represent 8 percent. State College and University Trust Fund revenues represent resources derived from collegiate

license plate sales, held by the state for distribution through appropriation. It is expected that the annual revenue will be approximately \$25,000.

Budget Detail by Object and Function of Expenditure

Table 2 provides an estimated breakdown of anticipated FY2024 expenditures by fund and object of expenditure (see appendix A). All universities are labor intensive organizations, and Illinois State University is no exception. Just under half (45.3 percent) of all funds are budgeted for personal service expenditures. Of the \$254.5 million budgeted for personal services, \$183.2 million, or 72 percent, is expected from General Revenue and University Income funds.

Table 2							
Illinois State University							
Fiscal Year 2024 Budget							
Objects by Fund Sources							
(in thousands of dollars)	Appropriation and Income Fund	State College and University Trust Fund	Other Local Funds	Grants and Contracts	Bond Revenue	Total	Percent of Total
Personal Services	\$ 183,200		\$ 23,100	\$ 17,200	\$ 30,950	\$ 254,450	45.3%
Medicare	\$ 3,000		\$ 300	\$ -	\$ 300	3,600	0.6%
Contractual	\$ 43,900		\$ 30,100	\$ 16,400	\$ 21,600	112,000	20.0%
Travel	\$ 1,700		\$ 700	\$ 300	\$ 50	2,750	0.5%
Commodities	\$ 2,700		\$ 5,600	\$ 1,000	\$ 13,700	23,000	4.1%
Equipment	\$ 12,550		\$ 4,800	\$ 1,100	\$ 3,100	21,550	3.8%
Telecommunications	\$ 800		\$ 200	\$ 20	\$ 700	1,720	0.3%
Operation Auto	\$ 450		\$ 200	\$ 50	\$ 100	800	0.1%
Awards and Grants	\$ 49,000	\$ 25	\$ 3,400	\$ 7,300	\$ 8,000	67,725	12.1%
Permanent Improvements	\$ 25,000		\$ -	\$ 30	\$ 19,500	44,530	7.9%
Group Health Insurance	\$ 3,100		\$ -	\$ -	\$ -	3,100	0.6%
Debt Service	\$ 7,700		\$ -	\$ -	\$ 14,000	21,700	3.9%
General Services Overhead	\$ -		\$ -	\$ -	\$ 4,400	4,400	0.8%
Total	\$ 333,100	\$ 25	\$ 68,400	\$ 43,400	\$ 116,400	\$ 561,325	100.0%
Percent of Total	59.3%	0.0%	12.2%	7.7%	20.7%	100.0%	

The sum of personal services, permanent improvements, and awards and grants accounts for approximately two-thirds of all expenditures. The remaining third will be used for all other expenses such as technology, group health insurance, equipment purchases, debt service, and utilities.

Personal Services includes compensation increases for minimum wage, merit, and union contract agreements. Other major operational expenses, such as contractual, travel, commodities, and equipment have been adjusted to reflect an increase in product and service costs.

Annual campus Financial Aid awarded to need-based students and merit aid to further assist in student recruitment is projected to equal \$67.7 million and is shared among all fund types. This figure also includes grant resources available through the state’s AIM HIGH Grant Pilot Program. Awards and Grants resources are used to honor the ongoing financial aid commitments made to returning students along with funds needed to attract our FY2024 new entering freshman and transfer students.

Permanent Improvements for academic and other state-supported facilities includes several construction and renovation projects funded by operating funds, academic enhancement fees, and reserves. Projects include those mentioned above as well as construction and renovation of existing space to prepare for the College of Engineering, improvements to campus infrastructure to support Mennonite College of Nursing Simulation Lab, and continued enhancements to academic buildings.

Bond Revenue Permanent Improvements of \$19.5 million include the replacement of the west campus pedestrian bridge, parking garage and lot improvements, and facility upgrades in University Housing, Campus Dining, and other bond revenue buildings.

Table 3 presents the estimated FY2024 operations and grants budget by fund and functional category of expenditure. The budget is divided into eight functional areas: Instruction, Organized Research, Public Service, Academic Support, Student Services, Institutional Support, Operations and Maintenance of the Physical Plant, and Independent Operations (See Appendix A). These functional classifications are identified and defined in the Illinois Board of Higher Education’s *Resource Allocation Management Program (RAMP)*.

(in thousands of dollars)	Appropriation and Income Fund	State College and University Trust Fund	Other Local Funds	Grants and Contracts	Bond Revenue	Total	Percent of Total
Instruction	\$ 142,000		\$ 5,700	\$ 2,100		\$ 149,800	26.7%
Organized Research	2,600		1,700	27,100		31,400	5.6%
Public Service	1,600		10,200	6,600		18,400	3.3%
Academic Support	29,500		200	100		29,800	5.3%
Student Services	55,000	\$ 25	49,600	7,500	\$ 8,000	120,125	21.4%
Institutional Support	48,100		200			48,300	8.6%
O&M Physical Plant	46,600		800		26,000	73,400	13.1%
Independent Operations					68,400	68,400	12.2%
Debt Service	<u>7,700</u>				<u>14,000</u>	<u>21,700</u>	<u>3.9%</u>
Subtotal	\$ 333,100	\$ 25	\$ 68,400	\$ 43,400	\$ 116,400	\$ 561,325	100.0%
Percent of Total	59.3%	0.0%	12.2%	7.7%	20.7%	100.0%	

Illinois State University expects to spend \$200 million in FY2024 on the activities associated with its core functions of instruction, research, and public service, representing 36 percent of the estimated total University expenditures. Most of these funds (\$146.2 million) are derived from General Revenue appropriations or University Income Fund. Another \$29.8 million is expected to be spent on those activities that provide direct support to those core functions, referred to in the table above as “Academic Support.” The largest allocation within this function is for the operations of Milner Library but also includes academic administrative functions.

Of the \$73.4 million estimated to be spent on operations and maintenance (O&M Physical Plant,) almost \$12 million is budgeted for utilities (electricity, natural gas, sewer, and water) and utility conservation projects. Deferred maintenance of facilities will continue to be addressed as funds allow. The University’s accumulated backlog of maintenance required to bring all campus facilities up to top working condition is estimated at \$400 million with \$225 million needed for state supported facilities and \$175 million for Bond Revenue facilities.

Conclusion

This item was prepared in accordance with Illinois Board of Higher Education policy that calls upon public university governing boards to review and approve an operating budget annually each fall. The University continues to allocate its resources to its highest priorities and to support those initiatives that are outlined in its strategic plan, *Educate•Connect•Elevate*. Instruction and the support of high-quality faculty and staff continue to be the two highest priorities.

Appendix A

Standard Definitions of Functions and Objects of Expenditures

Functional Areas:

Instruction – Activities carried out for the explicit purpose of eliciting some measure of educational change in a learner or group of learners. Activities include both teaching and facilitating activities.

Organized Research – Activities intended to produce one or more research outcomes including the creation of knowledge, reorganization of knowledge, and the application of knowledge. Research activities carried out on an individual or project basis usually result from special institutional grant awards to individual faculty members.

Public Service – Program elements established to make available to the public the various unique resources and capabilities of the University for the specific purpose of responding to a community need or solving a community problem.

Academic Support – Activities that are carried out in direct support of the three primary programs of instruction, organized research, and public service.

Student Services – Activities carried out with the objective of contributing to the emotional and physical well-being of students as well as to their intellectual, cultural, and social development outside the context of the University's formal instructional activities.

Institutional Support – Activities carried out to provide for the day-to-day functioning as well as the long-range viability of the University as an operating organization.

Operation and Maintenance of the Physical Plant – Activities related to maintaining existing grounds and facilities used for educational and general purposes, providing utility services, campus security and fire protection, transportation, and rental of space.

Independent Operations – Auxiliary Services and programs and activities that are unrelated to the primary mission of the University (instruction, organized research and public service).

Objects of Expenditure:

Personal Services – Wages and salaries.

Contractual – Payment for services from vendors. The largest contractual expenditure for Illinois State University is utility expense.

Travel – Reimbursements to employees or vendors for in state or out of state travel including transportation, mileage, lodging and meals.

Commodities – Purchase of articles of a consumable nature such as office supplies.

Equipment – Purchases over \$100 for tangible personal property such as office furniture and equipment.

Telecommunications – All telephone and telecommunication services such as internet ports, long distance charges, cell phone charges, fax machine charges, and local telephone charges.

Operation of Automotive Equipment – Operation, maintenance, and repair of automotive equipment.

Awards and Grants – Most commonly used for awards and grants to students. This includes aid for student financial need and academic merit.

Permanent Improvements – Remodeling and renovation of existing structures.

Debt Service – Payments for annual principal and interest on bonds and certificates of participation.

General Services Overhead – Payment for use of administrative services outside the immediate operation of the unit. For example, the comptroller’s area, which is supported by general revenue funds, performs accounting functions for all areas on campus; therefore, the non-appropriated units pay a portion of their expenses.